

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steve L. Cornish, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

The enclosed report prepared by Mountjoy & Bressler, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Mountjoy & Bressler, LLP, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Mountjoy & Bressler, LLP, evaluated Anderson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY FISCAL COURT

June 30, 2008

Mountjoy & Bressler, LLP has completed the audit of the Anderson County Fiscal Court for fiscal year ended June 30, 2008.

We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$5,602,328 as of June 30, 2008. The fiscal court had unrestricted net assets of \$1,514,315 in its governmental activities as of June 30, 2008. The fiscal court had total debt principal as of June 30, 2008 of \$2,295,840 with \$355,834 due within the next year.

Report Comments:

- 2008-1 The Fiscal Court Should Pay All Expenditures Within 30 Days In Accordance With KRS 65.140
- 2008-2 The Fiscal Court Should Not Have Negative Fund Balances
- 2008-3 The Jail Fund Budget Was Overspent
- 2008-4 A Material Prior Period Adjustment Was Recorded In Order To Accurately State Net Assets Of The County

Deposits:

The fiscal courts' deposits were insured and collateralized by bank securities.

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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steve L. Cornish, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Anderson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Anderson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of June 30, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

As discussed in Note 8 to the financial statements, certain errors resulting in understatement of previously reported accumulated depreciation as of June 30, 2007, were discovered by the Fiscal Court during the current year. Accordingly, an adjustment has been made to restate the beginning net assets as of June 30, 2007, to correct the error.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steve L. Cornish, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anderson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2009 on our consideration of Anderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-1 The Fiscal Court Should Pay All Expenditures Within 30 Days In Accordance With KRS 65.140
- 2008-2 The Fiscal Court Should Not Have Negative Fund Balances
- 2008-3 The Jail Fund Budget Was Overspent
- 2008-4 A Material Prior Period Adjustment Was Recorded In Order To Accurately State Net Assets Of The County

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

June 15, 2009

ANDERSON COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Steve L. Cornish	County Judge/Executive
John Wayne Conway	Magistrate
Forrest Stevens	Magistrate
David Ruggles	Magistrate
"Buddy" Sims	Magistrate
Juretta Wells	Magistrate
Larry Smith	Magistrate

Other Elected Officials:

Bobbi Jo Lewis	County Attorney
Joani Clark	Jailer
Jason Denny	County Clerk
Jan Rogers	Circuit Court Clerk
Troy Young	Sheriff
Beverly Stivers	Property Valuation Administrator
Brian Ritchie	Coroner

Appointed Personnel:

W. Dudley Shryock	County Treasurer
Rick Waddle	Finance Officer

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ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,624,093
Total Current Assets	<u>1,624,093</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	1,046,901
Buildings	3,054,193
Other Equipment	320,469
Vehicles and Equipment	405,397
Infrastructure	<u>1,447,115</u>
Total Noncurrent Assets	<u>6,274,075</u>
Total Assets	<u>7,898,168</u>
LIABILITIES	
Current Liabilities	
Financing Obligations	<u>355,834</u>
Total Current Liabilities	<u>355,834</u>
Noncurrent Liabilities:	
Financing Obligations	<u>1,940,006</u>
Total Noncurrent Liabilities	<u>1,940,006</u>
Total Liabilities	<u>2,295,840</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,978,235
Restricted For:	
Capital Projects	50,573
Debt Service	59,205
Unrestricted	<u>1,514,315</u>
Total Net Assets	<u><u>\$ 5,602,328</u></u>

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,399,797	\$ 8,400	\$	\$
Protection to Persons and Property	2,404,975	1,138,541	68,381	
General Health and Sanitation	283,006	197,428	34,355	
Social Services	41,694			
Recreation and Culture	360,617	79,985		
Roads	699,023	851,843	152,870	
Interest on Long-Term Debt	127,645			
Capital Projects	132			
Total Governmental Activities	<u>\$ 6,316,889</u>	<u>\$ 2,276,197</u>	<u>\$ 255,606</u>	<u>\$</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Delinquent Taxes
Insurance Premium Taxes
Telephone Tax
Other Taxes

Excess Fees

E-911 Wireless

Licenses and Permits

Rental Revenue

Reimbursements

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Governmental Activities	
\$	(2,391,397)
	(1,198,053)
	(51,223)
	(41,694)
	(280,632)
	305,690
	(127,645)
	(132)
\$	(3,785,086)

	1,256,131
	104,663
	182,595
	54,220
	938,589
	166,936
	199,509
	96,584
	115,443
	148,633
	133,442
	341,094
	280,320
	17,702
	4,035,861
	250,775
	5,351,553
\$	5,602,328

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	LGEA Fund	AEMS Fund
ASSETS					
Cash and Cash Equivalents	\$	\$ 267,952	\$	\$ 194,809	\$
Total Assets		<u>267,952</u>		<u>194,809</u>	
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Cash Shortage	<u>84,322</u>		<u>7,772</u>		<u>73,857</u>
Total Liabilities	<u>84,322</u>		<u>7,772</u>		<u>73,857</u>
FUND BALANCES					
Unreserved:					
General Fund	(84,322)				
Special Revenue Funds		267,952	(7,772)	194,809	(73,857)
Debt Service Fund					
Capital Projects Fund					
Total Fund Balances	<u>(84,322)</u>	<u>267,952</u>	<u>(7,772)</u>	<u>194,809</u>	<u>(73,857)</u>
Total Liabilities and Fund Balances	<u>\$</u>	<u>\$ 267,952</u>	<u>\$</u>	<u>\$ 194,809</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 JUNE 30, 2008
 (Continued)

Capital Outlay Fund	E-911 Cellular Fund	Communication Center Fund	Non- Major Funds	Total Governmental Funds
\$ 336,220	\$ 289,516	\$ 274,881	\$ 426,666	\$ 1,790,044
336,220	289,516	274,881	426,666	1,790,044
				165,951
				165,951
				(84,322)
336,220	289,516	274,881	316,888	1,598,637
			59,205	59,205
			50,573	50,573
336,220	289,516	274,881	426,666	1,624,093
\$ 336,220	\$ 289,516	\$ 274,881	\$ 426,666	\$ 1,790,044

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,624,093
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	12,238,953
Accumulated Depreciation	(5,964,878)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,295,840)
Net Assets Of Governmental Activities	\$ 5,602,328

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>AEMS Fund</u>
REVENUES					
Taxes	\$ 1,797,118	\$	\$	\$	\$
Excess Fees	96,584				
Licenses and Permits	115,787				
Intergovernmental	145,785	851,843	86,077	152,870	10,256
Charges for Services	197,428		9,776		1,050,531
Miscellaneous	395,106	2,025			23,340
Interest	4,273				
Total Revenues	<u>2,752,081</u>	<u>853,868</u>	<u>95,853</u>	<u>152,870</u>	<u>1,084,127</u>
EXPENDITURES					
General Government	791,079				
Protection to Persons and Property	84,633		752,708	2,589	1,193,481
General Health and Sanitation	279,168				
Social Services	41,694				
Recreation and Culture				4,500	
Roads		649,629			
Debt Service	132,274	33,434			95,478
Capital Projects					
Administration	1,303,316				
Total Expenditures	<u>2,632,164</u>	<u>683,063</u>	<u>752,708</u>	<u>7,089</u>	<u>1,288,959</u>
Excess (Deficiency) of Revenues					
Expenditures Before Other					
Financing Sources (Uses)	<u>119,917</u>	<u>170,805</u>	<u>(656,855)</u>	<u>145,781</u>	<u>(204,832)</u>
Other Financing Sources (Uses)					
Financing Obligation Proceeds	75,000				
Transfers From Other Funds			656,854		204,831
Transfers To Other Funds	(293,587)				
Total Other Financing Sources (Uses)	<u>(218,587)</u>		<u>656,854</u>		<u>204,831</u>
Net Change in Fund Balances	(98,670)	170,805	(1)	145,781	(1)
Fund Balances - Beginning (Restated)	14,348	97,147	(7,771)	49,028	(73,856)
Fund Balances - Ending	<u>\$ (84,322)</u>	<u>\$ 267,952</u>	<u>\$ (7,772)</u>	<u>\$ 194,809</u>	<u>\$ (73,857)</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Capital Outlay Fund	E-911 Cellular Fund	Communication Center Fund	Non- Major Funds	Total Governmental Funds
\$ 938,589	\$	\$	\$ 166,936	\$ 2,902,643
				96,584
32,846				148,633
	115,443		255,424	1,617,698
			79,985	1,337,720
			26,213	446,684
10,622		1,164	1,643	17,702
982,057	115,443	1,164	530,201	6,567,664
8,682			216,636	1,016,397
	143,951		140,172	2,317,534
				279,168
				41,694
99,994			216,751	321,245
				649,629
		37,971	132,852	432,009
			132	132
				1,303,316
108,676	143,951	37,971	706,543	6,361,124
873,381	(28,508)	(36,807)	(176,342)	206,540
				75,000
			239,018	1,100,703
(807,116)				(1,100,703)
(807,116)			239,018	75,000
66,265	(28,508)	(36,807)	62,676	281,540
269,955	318,024	311,688	363,990	1,342,553
\$ 336,220	\$ 289,516	\$ 274,881	\$ 426,666	\$ 1,624,093

The accompanying notes are an integral part of the financial statements.

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**ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 281,540
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	154,654
Depreciation Expense	(414,783)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while financing obligations payments are expensed in the Governmental Funds. These transactions, however, have no effect on net assets.	
Financing Obligation Proceeds	(75,000)
Financing Obligations Principal Payments	<u>304,364</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 250,775</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Anderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

C. Anderson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Anderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Anderson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1, following the assessment, and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund: The primary purpose of this fund is to account for economic development within the county. The primary sources of for this fund are reimbursements from the state government.

AEMS Fund - The primary purpose of this fund is to account for the emergency medical response system of the county. The primary sources of revenue for this fund are AEMS Collections, borrowed funds, and transfers from the Capital Outlay Fund.

Capital Outlay Fund - The primary purpose of this fund is to help maintain other funds. The primary sources of revenue are insurance premium tax. The majority of the fund's money is transferred to other funds to operate their budgets.

Emergency 911 Cellular Fund - The purpose of this fund is to account for wireless 911 cellular revenues and disbursements. The sole source of revenue for this fund is E-911 cellular receipts.

Communication Center Fund - The primary purpose of this fund is to account for dispatch revenue received within the county. The fund's primary source of revenue is dispatch revenue.

The primary government also has the following non-major funds: Park Fund, Court Fine Courthouse Repair Fund, Emergency 911 Fund, Park Land Acquisition Fund, and AOC Escrow Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, AEMS Fund, Communication Center Fund, Emergency 911 Cellular Fund, LGEA Fund, Park Fund, Court Fine Courthouse Repair Fund, CDBG Fund and the Emergency 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

Capital Projects Fund accounts for financial resources to be used acquisition of major capital facilities. The Park Land Acquisition Fund is reported as a Capital Project Fund.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Debt Service Fund:

Debt Service Fund accounts for the accumulation of resources for the payment of long-term principal and interest and includes funds for the AOC Escrow Fund. This fund was established to hold money deposited by the Administrative Office of the Courts (AOC) to provide for their portion of the debt service obligation for the courthouse renovation as agreed upon in a sublease agreement with the county. AOC deposits the biannual required amount, then the trustee makes the debt service payment directly to Kentucky Association of Counties Leasing Trust (KACOLT). The county pays KACOLT for the remainder of the debt service requirement out of the General Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 10,000	40
Buildings and Building Improvements	\$ 25,000	40
Machinery and Equipment	\$ 10,000	10
Vehicles	\$ 10,000	10
Infrastructure	\$ 20,000	10

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits

The primary government maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2008, all deposits of the county were covered by FDIC insurance or a properly executed collateral security agreement.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,046,901	\$	\$	\$ 1,046,901
Total Capital Assets Not Being Depreciated	1,046,901			1,046,901
Capital Assets, Being Depreciated:				
Buildings	7,550,784			7,550,784
Other Equipment	553,143			553,143
Vehicles and Equipment	1,147,384	13,819	(60,000)	1,101,203
Infrastructure	1,846,087	140,835		1,986,922
Total Capital Assets Being Depreciated	11,097,398	154,654	(60,000)	11,192,052
Less Accumulated Depreciation For:				
Buildings (Restated)	(4,385,223)	(111,368)		(4,496,591)
Other Equipment	(181,050)	(51,624)		(232,674)
Vehicles and Equipment	(669,592)	(86,214)	60,000	(695,806)
Infrastructure	(374,230)	(165,577)		(539,807)
Total Accumulated Depreciation	(5,610,095)	(414,783)	60,000	(5,964,878)
Total Capital Assets, Being Depreciated, Net	5,487,303	(260,129)		5,227,174
Governmental Activities Capital Assets, Net	\$ 6,534,204	\$ (260,129)	\$	\$ 6,274,075

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 80,084
Protection to Persons and Property	87,441
General Health and Sanitation	3,838
Recreation and Culture	39,372
Roads, Including Depreciation of General Infrastructure Assets	<u>204,048</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 414,783</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt

A. Courthouse Annex

Anderson County entered into a \$1,448,000 lease agreement on June 24, 1997, with the Kentucky Association of Counties Leasing Trust for the construction of a courthouse annex. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 5%, and the agreement is to be paid fully by June 20, 2017. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$902,396 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 92,396	\$ 42,863
2010	85,000	38,729
2011	89,000	34,396
2012	94,000	29,842
2013	98,000	25,058
2014-2017	444,000	47,600
Totals	<u>\$ 902,396</u>	<u>\$ 218,488</u>

B. Anderson County Park Project

Anderson County entered into a \$950,000 lease agreement on June 18, 2001, with the Kentucky Association of Counties Leasing Trust for the completion of the Anderson County Park project. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 4.38%, and the agreement is to be paid in full by January 20, 2021. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$705,000 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 40,000	\$ 35,114
2010	45,000	30,374
2011	45,000	28,259
2012	45,000	26,144
2013	50,000	23,931
2014-2018	280,000	82,167
2019-2021	200,000	15,118
Totals	<u>\$ 705,000</u>	<u>\$ 241,107</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

C. Park Land

Anderson County entered into a \$499,000 lease agreement on January 9, 2004, with the Kentucky Association of Counties Leasing Trust to purchase park land. The agreement requires monthly principal and interest payments. The effective interest rate is 2.25%, and the agreement is to be paid in full by January 20, 2024. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$414,804 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 22,817	\$ 22,511
2010	21,737	19,274
2011	22,402	18,159
2012	23,085	17,043
2013	23,790	15,862
2014-2018	130,306	60,441
2019-2023	151,461	48,060
2024	19,206	408
Totals	<u>\$ 414,804</u>	<u>\$ 201,758</u>

D. Road Equipment

Anderson County entered into a \$164,981 lease agreement on January 22, 2004, with the Kentucky Association of Counties Leasing Trust to purchase road equipment. The agreement requires monthly principal and interest payments. The effective interest rate is 2.18%, and the agreement is to be paid in full by February 20, 2009. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$26,357 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 26,357	\$ 628
Totals	<u>\$ 26,357</u>	<u>\$ 628</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

E. Ambulances

Anderson County entered into a \$150,000 lease agreement on September 30, 2005, with the Kentucky Association of Counties Leasing Trust to purchase two ambulances. The agreement requires monthly interest payments and an annual principal payment. The effective interest rate is 3.524%, and the agreement is to be paid in full July 20, 2008. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$50,000 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 50,000	\$ 294
Totals	<u>\$ 50,000</u>	<u>\$ 294</u>

F. Heart Monitors

Anderson County entered into a \$143,019 lease agreement on November 28, 2006, with the Kentucky Association of Counties Leasing Trust to purchase heart monitors. The agreement requires monthly interest payments and an annual principal payment. The effective interest rate is 3.54%, and the agreement is to be paid in full July 20, 2010. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$108,019 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 35,000	\$ 3,946
2010	35,000	2,020
2011	<u>38,019</u>	<u>160</u>
Totals	<u>\$ 108,019</u>	<u>\$ 6,126</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

G. Sheriff Vehicles

Anderson County entered into a \$49,979 lease agreement on January 26, 2007, with the Kentucky Association of Counties Leasing Trust to purchase two Sheriff cruisers. The agreement required monthly interest payments and an annual principal payment. The effective interest rate was 4.25%, and the agreement was to be paid in full January 20, 2009. This lease was paid off during the fiscal year ended June 30, 2008.

H. Solid Waste/Animal Shelter Vehicles

Anderson County entered into a \$30,301 lease agreement on April 11, 2007, with the Kentucky Association of Counties Leasing Trust to purchase vehicles for Solid Waste and Animal Shelter. The agreement requires monthly principal and interest payments. The effective interest rate is 3.72%, and the agreement is to be paid in full April 20, 2009. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$14,264 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 14,264	\$ 271
Totals	<u>\$ 14,264</u>	<u>\$ 271</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

I. Ambulance

Anderson County entered into a \$75,000 lease agreement on July 5, 2007, with the Kentucky Association of Counties Leasing Trust to purchase an ambulance for the Anderson County Emergency Management Services. The agreement requires one annual principal payment and monthly interest payments. The effective interest rate is 4.25%, and the agreement is to be paid in full July 20, 2008. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$75,000 as of June 30, 2008. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 75,000	\$ 558
Totals	<u>\$ 75,000</u>	<u>\$ 558</u>

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 2,525,204	\$ 75,000	\$ 304,364	\$ 2,295,840	\$ 355,834
Governmental Activities					
Long-term Liabilities	<u>\$ 2,525,204</u>	<u>\$ 75,000</u>	<u>\$ 304,364</u>	<u>\$ 2,295,840</u>	<u>\$ 355,834</u>

Note 5. Employee Retirement System

The fiscal court elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contribution for the year.

Note 5. Employee Retirement System (Continued)

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

On February 24, 2000, the Anderson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2008, Anderson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 8. Prior Period Adjustment

The beginning balance for Governmental Activities and the General Fund were increased by \$9,525 to account for voided checks from the prior period. The General Fund was also increased by \$12,770 to reclassify the ending fund balance in the Community Development Block Grant that was closed during fiscal year ended June 30, 2007.

The beginning balance for Government Activities was decreased by \$1,046,900 due to incorrectly stated accumulated depreciation.

Ending Net Assets - June 30, 2007	\$	6,388,928
Voided Check - General Fund		9,525
Accumulated Depreciation - Buildings		<u>(1,046,900)</u>
Ending Net Assets - June 30, 2007 (Restated)	\$	<u><u>5,351,553</u></u>
General Fund Balance - June 30, 2007	\$	(7,947)
CDBG Fund Balance - June 30, 2007		12,770
Voided Check		<u>9,525</u>
General Fund Balance - June 30, 2007 (Restated)	\$	<u><u>14,348</u></u>

Note 9. Fund Balance - Deficit

As of June 30, 2008, three funds had a deficit balance; General Fund \$84,322, Jail Fund \$7,772 and the AEMS Fund \$73,857. These deficits were due to the incorporation of several funds into one checking account. The checking account has a positive balance but the funds contained within the account do not have positive balances.

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,586,800	\$ 1,792,170	\$ 1,797,118	\$ 4,948
Excess Fees		96,500	96,584	84
Licenses and Permits	79,000	101,750	115,787	14,037
Intergovernmental Revenue	81,420	164,470	145,785	(18,685)
Charges for Services	175,000	188,900	197,428	8,528
Miscellaneous	286,500	301,800	395,106	93,306
Interest	4,550	4,550	4,273	(277)
Total Revenues	<u>2,213,270</u>	<u>2,650,140</u>	<u>2,752,081</u>	<u>101,941</u>
EXPENDITURES				
General Government	918,577	981,031	791,079	189,952
Protection to Persons and Property	75,608	103,021	84,633	18,388
General Health and Sanitation	263,313	283,661	279,168	4,493
Social Services	42,625	42,625	41,694	931
Debt Service		6,866	132,274	(125,408)
Administration	1,306,700	1,669,989	1,303,316	366,673
Total Expenditures	<u>2,606,823</u>	<u>3,087,193</u>	<u>2,632,164</u>	<u>455,029</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(393,553)</u>	<u>(437,053)</u>	<u>119,917</u>	<u>556,970</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			75,000	75,000
Transfers From Other Funds	232,353	266,353		(266,353)
Transfers To Other Funds			(293,587)	(293,587)
Total Other Financing Sources (Uses)	<u>232,353</u>	<u>266,353</u>	<u>(218,587)</u>	<u>(484,940)</u>
Net Changes in Fund Balance	(161,200)	(170,700)	(98,670)	72,030
Fund Balance - Beginning (Restated)	<u>161,200</u>	<u>170,700</u>	<u>14,348</u>	<u>(156,352)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ (84,322)</u>	<u>\$ (84,322)</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 771,428	\$ 771,428	\$ 851,843	\$ 80,415
Miscellaneous			2,025	2,025
Total Revenues	<u>771,428</u>	<u>771,428</u>	<u>853,868</u>	<u>82,440</u>
EXPENDITURES				
Roads	670,778	721,551	649,629	71,922
Debt Service	35,650	33,434	33,434	
Capital Projects	65,000	16,443		16,443
Total Expenditures	<u>771,428</u>	<u>771,428</u>	<u>683,063</u>	<u>88,365</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			<u>170,805</u>	<u>170,805</u>
Net Changes in Fund Balance			170,805	170,805
Fund Balance - Beginning			<u>97,147</u>	<u>97,147</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 267,952</u>	<u>\$ 267,952</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 62,500	\$ 62,500	\$ 86,077	\$ 23,577
Charges For Services	31,000	31,000	9,776	(21,224)
Total Revenues	93,500	93,500	95,853	2,353
EXPENDITURES				
Protection to Persons and Property	731,269	731,269	752,708	(21,439)
Total Expenditures	731,269	731,269	752,708	(21,439)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(637,769)	(637,769)	(656,855)	(19,086)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	637,769	659,208	656,854	(2,354)
Total Other Financing Sources (Uses)	637,769	659,208	656,854	(2,354)
Net Changes in Fund Balance		21,439	(1)	(21,440)
Fund Balance - Beginning			(7,771)	(7,771)
Fund Balance - Ending	\$	\$ 21,439	\$ (7,772)	\$ (29,211)

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 152,870	\$ 52,870
Total Revenues	100,000	100,000	152,870	52,870
EXPENDITURES				
Protection to Persons and Property	3,000	3,000	2,589	411
Recreation and Culture	4,500	4,500	4,500	
Roads	92,500	92,500		92,500
Total Expenditures	100,000	100,000	7,089	92,911
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			145,781	145,781
Net Changes in Fund Balance			145,781	145,781
Fund Balance - Beginning			49,028	49,028
Fund Balance - Ending	\$	\$	\$ 194,809	\$ 194,809

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	AEMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 22,807	\$ 22,807	\$ 10,256	\$ (12,551)
Charges for Services	1,000,000	1,000,000	1,050,531	50,531
Miscellaneous	27,500	27,500	23,340	(4,160)
Total Revenues	1,050,307	1,050,307	1,084,127	33,820
EXPENDITURES				
General Government				
Protection to Persons and Property	1,306,521	1,328,368	1,193,481	134,887
Debt Service	175,000	153,153	95,478	57,675
Total Expenditures	1,481,521	1,481,521	1,288,959	192,562
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(431,214)	(431,214)	(204,832)	226,382
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	361,214	361,214	204,831	(156,383)
Total Other Financing Sources (Uses)	361,214	361,214	204,831	(156,383)
Net Changes in Fund Balance	(70,000)	(70,000)	(1)	69,999
Fund Balance - Beginning	70,000	70,000	(73,856)	(143,856)
Fund Balance - Ending	\$	\$	\$ (73,857)	\$ (73,857)

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

E-911 CELLULAR FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 75,000	\$ 75,000	\$ 115,443	\$ 40,443
Total Revenues	75,000	75,000	115,443	40,443
EXPENDITURES				
Protection to Persons and Property	25,500	95,614	143,951	(48,337)
Administration	49,500	179,386		179,386
Total Expenditures	75,000	275,000	143,951	131,049
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(200,000)	(28,508)	171,492
Net Changes in Fund Balances		(200,000)	(28,508)	171,492
Fund Balances - Beginning		200,000	318,024	118,024
Fund Balances - Ending	\$	\$	\$ 289,516	\$ 289,516

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

CAPITAL OUTLAY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 900,000	\$ 944,000	\$ 938,589	\$ (5,411)
License and Permits	30,000	30,000	32,846	2,846
Interest Earned	7,500	7,500	10,622	3,122
Total Revenues	937,500	981,500	982,057	557
EXPENDITURES				
General Government	3,000	13,000	8,682	4,318
Recreation and Culture	99,994	99,994	99,994	
Total Expenditures	102,994	112,994	108,676	4,318
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	834,506	868,506	873,381	4,875
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(1,602,192)	(1,657,631)	(807,116)	850,515
Total Other Financing Sources (Uses)	(1,602,192)	(1,657,631)	(807,116)	850,515
Net Changes in Fund Balance	(767,686)	(789,125)	66,265	855,390
Fund Balance - Beginning	767,686	789,125	269,955	(519,170)
Fund Balance - Ending	\$	\$	\$ 336,220	\$ 336,220

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

COMMUNICATION CENTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 1,164	\$ 164
Total Revenues	1,000	1,000	1,164	164
EXPENDITURES				
Protection to Persons and Property				
Debt Service	101,000	101,000	37,971	63,029
Total Expenditures	101,000	101,000	37,971	63,029
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(100,000)	(100,000)	(36,807)	63,193
Net Changes in Fund Balances	(100,000)	(100,000)	(36,807)	63,193
Fund Balances - Beginning	100,000	100,000	311,688	211,688
Fund Balances - Ending	\$	\$	\$ 274,881	\$ 274,881

ANDERSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2008

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2008

ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	<u>Park Fund</u>	<u>Emergency 911 Fund</u>	<u>Court Fine Courthouse Repair Fund</u>	<u>Park Land Acquisition Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 210,519	\$ 88,065	\$ 18,304	\$ 50,573
Total Assets	<u>210,519</u>	<u>88,065</u>	<u>18,304</u>	<u>50,573</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	210,519	88,065	18,304	
Debt Service Fund				
Capital Projects Fund				50,573
Total Fund Balances	<u>\$ 210,519</u>	<u>\$ 88,065</u>	<u>\$ 18,304</u>	<u>\$ 50,573</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2008
(Continued)

AOC Escrow Fund	Total Non-Major Governmental Funds
<u>\$ 59,205</u>	<u>\$ 426,666</u>
<u>59,205</u>	<u>426,666</u>
	316,888
59,205	59,205
	<u>50,573</u>
<u>\$ 59,205</u>	<u>\$ 426,666</u>

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	Park Fund	Emergency 911 Fund	Court Fine Courthouse Repair Fund	Park Land Acquisition Fund
REVENUES				
Taxes	\$	\$ 166,936	\$	\$
Intergovernmental			174,292	
Charges for Service	79,985			
Miscellaneous	24,495			1,718
Interest				
Total Revenues	<u>104,480</u>	<u>166,936</u>	<u>174,292</u>	<u>1,718</u>
EXPENDITURES				
General Government			216,636	
Protection to Persons and Property		137,939	2,233	
Recreation and Culture	215,751			1,000
Debt Service	82,070			
Administration				
Total Expenditures	<u>297,821</u>	<u>137,939</u>	<u>218,869</u>	<u>1,000</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(193,341)</u>	<u>28,997</u>	<u>(44,577)</u>	<u>718</u>
Other Financing Sources (Uses)				
Transfers To Other Funds				
Transfers From Other Funds	<u>193,341</u>		<u>45,677</u>	
Total Other Financing Sources (Uses)	<u>193,341</u>		<u>45,677</u>	
Net Change in Fund Balances		28,997	1,100	718
Fund Balances - Beginning	210,519	59,068	17,204	49,855
Fund Balances - Ending	<u>\$ 210,519</u>	<u>\$ 88,065</u>	<u>\$ 18,304</u>	<u>\$ 50,573</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

AOC Escrow Fund	Non-Major Governmental Funds
\$	\$
81,132	166,936
	255,424
	79,985
	26,213
1,643	1,643
82,775	530,201
	216,636
	140,172
	216,751
50,782	132,852
132	132
50,914	706,543
31,861	(176,342)
	239,018
	239,018
31,861	62,676
27,344	363,990
\$ 59,205	\$ 426,666

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Steve L. Cornish, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 15, 2009. Anderson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anderson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anderson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying comments and recommendations as item 2008-4 to be a significant deficiency in internal control over financial reporting:

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Anderson County's financial statements for the year ended June 30, 2008, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations: 2008-1, 2008-2, and 2008-3.

The Anderson County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Anderson County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

June 15, 2009

**ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS**

For Fiscal Year Ended June 30, 2008

**ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS**

For Fiscal Year Ended June 30, 2008

STATE LAWS AND REGULATIONS

2008-1 The Fiscal Court Should Pay All Expenditures Within 30 Days In Accordance With KRS 65.140

KRS 65.140, states in part, unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor. During our test of expenditures, there was one (1) instance in which an invoice was not paid within the thirty days as required by KRS 65.140. Also, during our test of debt and debt service it was noted that the Fiscal Court did not make the June 2008 lease payments until August 2008, in accordance with KRS 65.140. By not paying invoices within thirty (30) days, the County is subject to additional costs in the form of penalties and/or interest. We recommend that the County date stamp all invoices when received and ensure that all invoices are paid within 30 days as required by KRS 65.140.

County Judge/Executive's Response: The County strives to pay all bills and invoices within thirty (30) days of receipt. Date stamps are applied to all invoices upon receipt to help us ensure timely payment.

2008-2 The Fiscal Court Should Not Have Negative Fund Balances

The audited financial statements show negative fund balances in the General Fund (\$84,322), Jail Fund (\$7,772), and the AEMS Fund (\$73,857). KRS 68.110, states in part, the fiscal court shall not in any year expend any money in excess of the amount annually levied and collected for that year or levied, collected or appropriated for any special purpose. We recommend the County monitor fund balances regularly and make necessary transfers to ensure all fund balances remain positive.

County Judge/Executive's Response: Auditor adjustments were made in the prior years and were not communicated to the County Treasurer or Finance Officer.

Auditor's reply: Any audit adjustments made are communicated to the client on a GCX-22 form, which requires client signature agreeing to the adjustment before the adjustment is posted to the financial statement. Also, the prior year report also reported the following negative fund balances: General Fund \$(7,947), Jail Fund \$(7,771), and AEMS Fund \$(73,856).

2008-3 The Jail Fund Budget Was Overspent

During our audit we noted that the Jail Fund budget was overspent by \$21,439. Per KRS 68.300 any expenditure over the budget shall be void and illegal. In the future, we recommend that the county properly approve budget amendments and transfer money and from other funds to avoid overspending the budgeted amount.

County Judge/Executive's Response: The Judge had no response.

**ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
For Fiscal Year Ended June 30, 2008
(Continued)**

INTERNAL CONTROL – MATERIAL WEAKNESS

2008-4 A Material Prior Period Adjustment Was Recorded In Order To Accurately State Net Assets
Of The County

In the prior year accumulated depreciation was understated by \$1,046,900 due to an error in the presentation of capital assets. According to Statements on Auditing Standards 112 the client's management should have reviewed this information and been able to recognize this misstatement prior to the issuance of the audit report dated February 12, 2008.

County Judge/Executive's Response: The Judge had no response.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

ANDERSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2008**

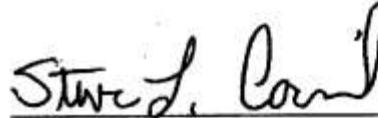
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT
PROGRAMS

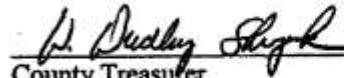
ANDERSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge Executive



County Treasurer

